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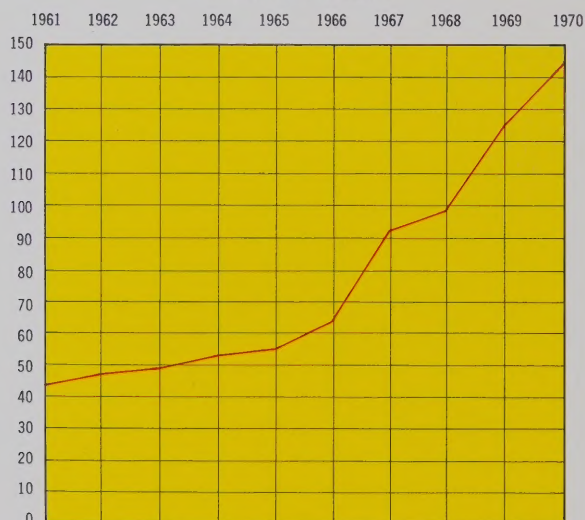
Silverwood Dairies, Limited Annual Report for the year ended March 31, 1970

financial highlights

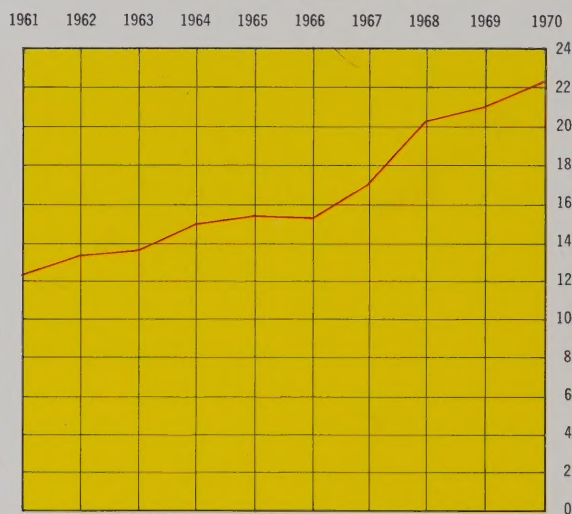
for the year ended March 31

	1970	1969	Increase or (Decrease)
SALES	\$144,678,893	\$125,956,843	\$18,722,050
CONSOLIDATED NET INCOME BEFORE EXTRAORDINARY ITEMS	\$ 1,885,299	\$ 1,823,393	\$ 61,906
CONSOLIDATED NET INCOME FOR YEAR	\$ 2,261,507	\$ 2,094,577	\$ 166,930
DIVIDENDS PAID	\$ 1,075,498	\$ 1,075,498	—
RATE PER CLASS "A" AND CLASS "B" SHARE	\$.80	\$.80	—
CONSOLIDATED RETAINED EARNINGS RE-INVESTED IN BUSINESS TO DATE	\$ 14,071,979	\$ 12,885,970	\$ 1,186,009
SHAREHOLDERS' EQUITY	\$ 21,413,296	\$ 20,227,287	\$ 1,186,009
SHARES OUTSTANDING			
CLASS "A"	903,158	903,158	—
CLASS "B"	441,212	441,212	—
EQUITY PER CLASS "A" AND "B" SHARES	\$ 15.93	\$ 15.05	\$.88
DEBENTURES OUTSTANDING	\$ 8,761,500	\$ 9,113,500	(\$ 352,000)
CONSOLIDATED FUNDS PROVIDED FROM OPERATIONS	\$ 5,374,616	\$ 4,658,347	\$ 716,269
CONSOLIDATED WORKING CAPITAL	\$ 4,249,573	\$ 3,103,157	\$ 1,146,416

SALES
MILLIONS OF DOLLARS



CONSOLIDATED NET INCOME FOR YEAR
IN HUNDRED THOUSAND DOLLARS



Silverwood Dairies, Limited

1970 ANNUAL REPORT

for the year ended March 31, 1970

HEAD OFFICE — 75 BATHURST ST., LONDON 15, ONT.

Mailing Address—Box 2185, Terminal A, London 12, Ont.

Transfer Agent/Registrar — The Canada Trust Company
Toronto — Calgary — Vancouver

Sixty-seven years ago, in 1903, A. E. Silverwood founded our Company, a pioneer, Canadian-owned, dairy operation.

Today 4,335 of its 4,407 shareholders, or 98.4% reside in Canada and own 99.3% of the total issued stock.

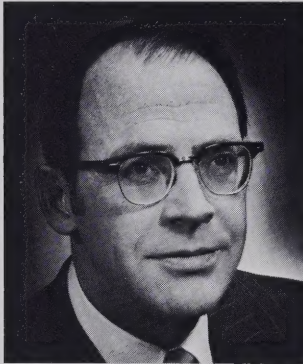
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Message to the shareholders of Silverwood Dairies, Limited

London, Canada, May 18, 1970



N. E. KAYE

On behalf of the Board of Directors, we are pleased to submit the Annual Report on the results of your Company's operations for the year ended March 31, 1970.

The consolidated financial statements include the results of Silverwood Dairies, Limited and its subsidiary convenience store operations.

Sales and Earnings for the year were the highest in the history of your Company. Total Sales reached \$144,678,893 (1969 were \$125,956,843 — see note 9 to the consolidated financial statements), an increase of \$18,722,050, or 14.9% over the previous year.

Consolidated Net Income, after taxes and minority interest was \$2,261,507 (1969 was \$2,094,577), an increase of \$166,930, or 8% above the previous year. Included in Net Income were extraordinary gains from sales of assets and redemption of debentures of \$376,208 (1969 was \$271,184).

Earnings per share on the combined Class "A" and Class "B" shares outstanding amounted to \$1.68 (1969 was \$1.56).

The substantial increase in sales resulted in part from the inclusion of sales by Mac's Milk Limited for the full fiscal year, compared with nine and one-half months of the previous year (from June 14, 1968). Furthermore, the number of stores was increased significantly during the year. The dairy divisions of your Company produced a significant increase in sales as well.

As indicated in the interim reports, the severity of inflationary cost pressures was felt increasingly as the year progressed, particularly in the latter months from October through March. On the other hand, during our last quarter, concerted efforts by the Prices and Incomes Commission at Ottawa, to stem inflation by dampening price advances, and other downward pressures on selling prices in the market-place affected margins adversely.

During the last quarter of the fiscal year, dairy companies encountered the generally prevailing difficulties arising across the nation in negotiating renewals of union agreements. These conditions, which are a source of concern to all, resulted in a number of dairy companies suffering work stoppages in several major markets in Ontario. Similarly, our London Branch was affected by a cessation of operations for about two weeks.

During the year ended March 31, 1970, Dividends totalling 80¢ per share were paid on both Class "A" and Class "B" shares. Your Company distributed 47.6% (1969 was 51.3%) of Earnings in Dividends, and reinvested 52.4% (1969 was 48.7%) in the business. Consolidated Retained Earnings at March 31, 1970 reached a new high of \$14,071,979 (1969 was \$12,885,970).

The gross book value of Capital Assets was \$51,104,084 (1969 was \$48,852,415). Accumulated Depreciation was \$24,703,059 (1969 was \$23,087,362) being 48.3% of depreciable assets.

Net Capital Expenditures during the year totalled \$2,681,228 (1969 was \$5,847,349). One of the most important additions was the accelerated final phase construction and equipping of the modern ice cream manufacturing facilities on the Macdonald-Cartier Freeway at London. At year-end, the major part of this project had been completed and the process of consolidating ice cream operations in the new premises was well underway. Furthermore, building additions, renovations and improvements were carried out at Chatham, Hamilton, North Bay and Peterborough branches, as well as in the aseptic citrus juices plant in Toronto, in order to improve efficiency, increase productivity and meet larger sales volume demands. Substantial outlays were made for equipment in expanding the number of Mac's convenience stores and in acquiring a small chain known as "The Corner Store". Store properties are on a leased basis, with options for renewals, and therefore, capital expenditures in this division are for equipment, fixtures and leasehold improvements.

Consolidated Working Capital at March 31, 1970 was \$4,249,573 (1969 was \$3,103,157), an increase of \$1,146,416.

A number of important changes in Directors and Officers occurred during the year. Retirements from the Board resulted in the election of several new Directors, namely Peter V. V. Betts, Esq., Q.C., senior partner in the law firm of Robarts, Betts, McLennan & Flinn, Kenneth C. McGowen, President of Mac's Milk Limited, and executives of your Company, E. F. Findlay, D. G. Silverwood, W. I. Barton, C. L. Tulloch and A. E. Lawrence, Jr. In May, 1969, E. F. Findlay was appointed Vice President and General Manager, and H. T. Spettigue who also is a Director, was transferred from Vice President, Production to Vice President, Plant Facilities and Technology. W. I. Barton and A. E. Lawrence, Jr., have occupied the positions of Secretary-Treasurer and Assistant Treasurer respectively since April 1, 1969. D. G. Silverwood was promoted to Vice President, Corporate Planning in January, 1970. Shortly after the end of the fiscal year, C. L. Tulloch was transferred from Vice President, Marketing & Sales to Vice President, Market & Product Planning.

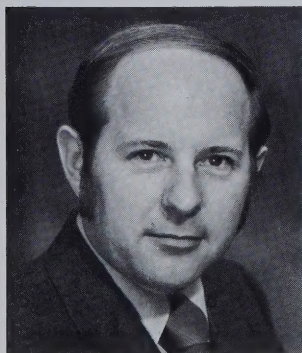
The past fiscal year has been an extremely busy one for your Company. A number of changes in operations have been made, new developments have occurred and expansion steps have been taken, all of which should be beneficial to future results. Some of the more significant of these will be mentioned in this message.

During the fiscal year, the number of convenience stores operated by your Company increased substantially, reaching a total of 282 outlets by March 31, 1970 (the number one year earlier was — Mac's 209 and Western Canada 15). Furthermore, it was a year of extensive planning and consolidating in this division for the purpose of strengthening the basic operating techniques, and administrative proficiency, as well as developing future expansion opportunities, and principles of a sound franchise program. At the year-end 37 stores were operating on a franchise basis.

During the third quarter of the fiscal year your Company purchased Good Neighbour Food Stores Limited, a small chain of 35 convenience stores known as "The Corner Store", operating in the St. Catharines area, Hamilton, Kitchener, Guelph and Toronto. These operations have been transferred to Mac's Milk Limited for effective administration and maximum efficiency.

During the last quarter, arrangements also were completed to transfer full ownership of Kwik Shops Limited, in Manitoba, to Mac's, as well as three new convenience stores which were opened recently in Calgary, Alberta. During the same period, Mac's also opened its first convenience store in Vancouver, British Columbia.

We are including in this Annual Report a map showing the various Canadian markets in which Mac's Stores now operate, as well as facilities of the dairy divisions.



K. C. MCGOWEN

Beginning April 1, 1969, each branch which was formerly part of United Dairies in Southern Alberta and British Columbia became an operating branch of Silverwood Dairies, Limited, responsible through a regional management structure to Head Office in London, Ontario.

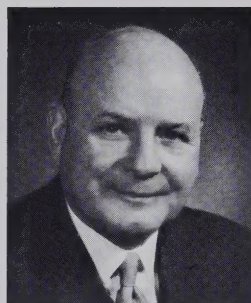
As mentioned briefly in the nine months' interim report to shareholders, our Home Service routes in Vancouver were sold as of February 2, 1970. Retaining these would have necessitated a large expenditure of funds in new plant facilities, and a comprehensive study and analysis indicated that a redeployment of an equivalent amount of your Company's assets into higher earnings investments would be advantageous.

In December, 1969, arrangements were completed for the transfer of the Home Service routes of the Borden Company in Brantford to your Company's branch in that market. This development is consistent with our policy of strengthening Home Services wherever profits and prospects warrant such action. Throughout the Home Services Division an increasing variety of products now are available directly to the homemaker, and new concepts for this field of operations are under thorough study and consideration.

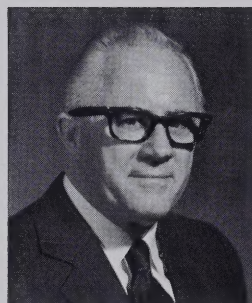
In addition, arrangements were completed to acquire, effective April 1, 1970, the Ice Cream business of Buttercup Limited, sold mainly under the "Rainbow" label, throughout the Niagara Peninsula and in the Hamilton area. This represents an important addition to the very large and growing Ice Cream Division of your Company.



E. F. FINDLAY



H. T. SPETTIGUE



C. L. TULLOCH

Because of the extensive geographical and volume growth of your Company over recent years, it was felt that, in the Dairy Divisions, most effective management and alert communications could be developed by establishing regional administration. It is a pleasure to report that by March 31, 1970, this management restructuring program had been completed.

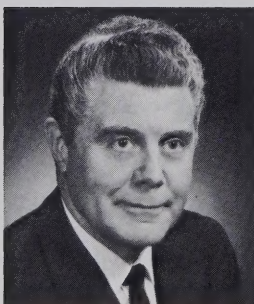
Consequently, the regional plan now functions under E. F. Findlay, Vice President and General Manager. Head Office Staff Officers, in the Dairy Divisions, are H. T. Spettigue, Vice President, Plant Facilities & Technology, and C. L. Tulloch, Vice President, Market and Product Planning.

The four Region General Managers reporting to Mr. Findlay are: E. R. Illingworth, Eastern Region; K. E. Perrin, Central Region; F. R. Sutton, Western Region; D. F. Guy, British Columbia Region.

Throughout the fiscal year, it became increasingly evident that the size of your Company required special and concerted attention to the many facets of longer term planning. As a result, it was felt that someone with the necessary qualifications should be assigned to this important task. We take pleasure, therefore, in mentioning in this Report that D. G. Silverwood was appointed, in January, 1970, to the position of Vice President, Corporate Planning. The studies, findings and conclusions of this Officer will be reported directly to the President.

The opportunities abundantly evident in the potential growth of convenience stores, and in other possibilities for diversification of your Company made it manifest that the Trust Indenture pertaining to the Series "A" Debentures Issue of July 5, 1966, should be amended in line with the current needs of the Company. It was decided, therefore, that Debenture Holders should be consulted on the question of allowing flexibility for separate financing in the growth of subsidiary companies, without undue adverse effect on the working capital position of the parent Company. The important considerations in this matter were marshalled by R. G. Pardy, Vice President, Finance and W. I. Barton, Secretary-Treasurer.

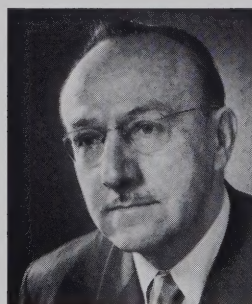
At a meeting of Debenture Holders shortly after the year-end of March 31, 1970, the requested changes were approved, including an increase in the debenture interest rate from 6½% to 7¼%. Directors of Silverwood Dairies, Limited were given flexibility on the question of including or excluding subsidiary operations in the determination of working capital for purposes of the Trust Indenture.



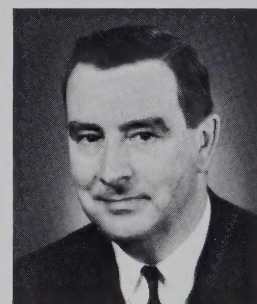
E. R. ILLINGWORTH



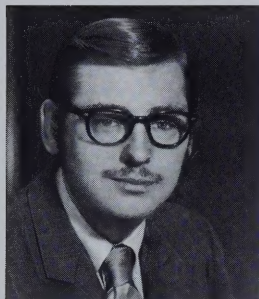
K. E. PERRIN



F. R. SUTTON



D. F. GUY



D. G. SILVERWOOD



R. G. PARODY



W. I. BARTON

After thorough consideration, it has been decided to recommend for approval at the annual meeting of shareholders, a change in the name of your Company in order to reflect more accurately the scope of activities. The name proposed in the required resolution will be Silverwood Industries Limited. Furthermore exhaustive studies have been made regarding our accounting reports, the application of electronic data processing equipment, and the reporting periods. To achieve maximum utilization of accounting information and management data, your Directors approved, for future reports, the adoption of a system of thirteen periods of four weeks each, instead of twelve calendar months, to become effective at the beginning of the new fiscal period. This will facilitate a more streamlined use of modern computer equipment which your Company presently has in operation. Your Directors also are considering the advantages which could result from changing the fiscal year-end from March 31 to correspond with the close of the December four-week accounting period. Another matter being considered by the Directors is the advisability of establishing an executive stock purchase plan.

The A. E. Silverwood Foundation again is pleased to report that, during 1969, bursaries were extended to 32 students taking University Courses, and to 4 nurses taking post-graduate studies in Nursing Education or Nursing Science Administration. The Foundation also made contributions to a number of organizations to assist in medical research or active treatment.

Many of the foregoing comments are intended to convey our belief that your Company will continue to progress favourably in the year ahead. We have entered the "Seventies" with growing strength in Management capabilities, and with full confidence that ambitious and noteworthy objectives will be achieved during this decade. The vitality of our organization, the increasing effectiveness of production and merchandising methods, new and expanding lines of products, and broad possibilities for diversification opportunities offer the ingredients for prosperous growth. We are fully cognizant of the continuing upward pressures on costs, the dangers of an inflationary economy, the need for increasing efficiency and productivity, and the importance of maintaining reasonably healthy profit margins and financial stability for our business enterprise. There are the challenges which Management acknowledges and accepts.

During the fiscal year, the Federal Government White Paper on Proposals for Tax Reform was issued. We share many of the deep concerns, which have been expressed, regarding the long-term effect of the proposals on financial, economic and social structure of our nation. Consequently, your Officers submitted detailed views on this subject to The Standing Committee on Finance, Trade and Economic Affairs at Ottawa several months ago.

In closing this message, we wish to express the sincere appreciation which we feel toward our employees for the splendid contribution they continue to make to the progress of our business. Warm thanks also are extended to our customers, suppliers and shareholders for their loyal support which plays such an important part in the continuing development and growth of your Company.

Chairman of the Board,
President and Chief Executive Officer

Subsidiaries of Silverwood Dairies, Limited

as at March 31, 1970

OPERATING COMPANIES

Dairy Divisions

Canmore Dairy Ltd. — Canmore, Alberta

Milum Dominion Dairy Limited — Golden, B.C.

Valley Milk Ltd. — Invermere, B.C.

Stores Division

Mac's Milk Limited and its subsidiaries

Good Neighbour Food Stores Limited

Normandy Kitchens Limited

Head Office — Toronto, Ontario

Milky Way Stores (1969) Limited

Head Office — Vancouver, B.C.

NON-OPERATING COMPANIES

Central Creameries Limited

Coast Fountain Supplies Ltd. (formerly Grancy Holdings Ltd.)

Crystal Dairy Limited

Jersey Farms Limited

Kwik Shops Limited

Kwik Stop Shops Limited

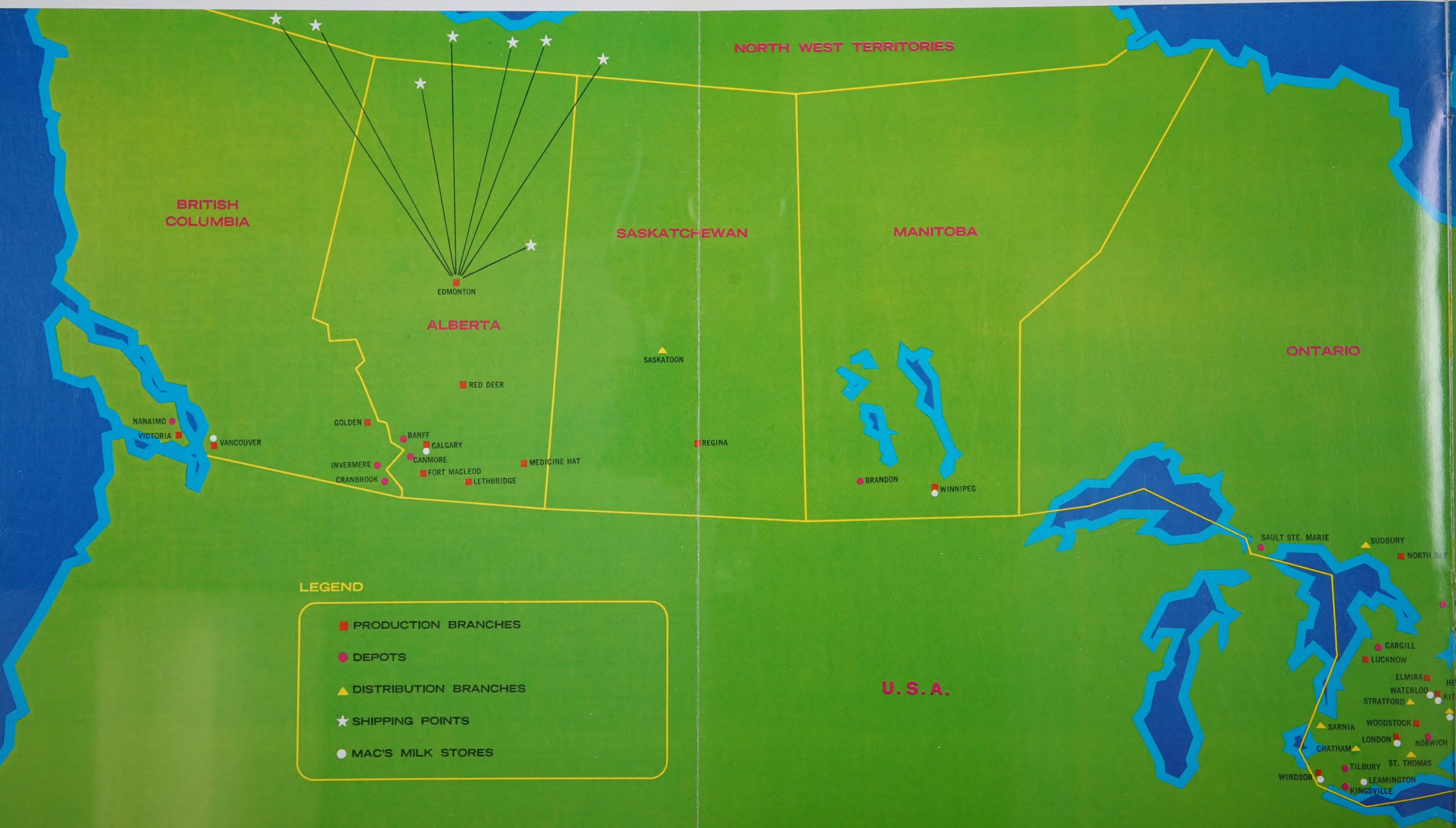
Northwestern Creamery Limited

Unigro Finance Ltd.

Union Milk Company Limited

United Dairies Limited.

Silverwood's Widespread Organization Growing with Canada



The widespread dairy and convenience store operations of our company continue to expand in line with growing needs. Our convenience store operations and the thousands of independently operated other stores, along with our widespread dairy distribution system provides to the Canadian public an ever-expanding line of products.

QUEBEC

EBRIDGE

BRILLIA
LINDSAY
AURORA
NOBLETON
MALTON
BRAMPTON
GEORGETOWN
MILTON
HAMILTON
PRESTON
STONEY CREEK
PETERBOROUGH
KINGSTON
UNIONVILLE
MARKHAM
OSHAWA
WHITBY
PICKERING
AJAX
BAY RIDGES
SCARBOROUGH
TORONTO
PORT CREDIT
MISSISSAUGA
COOKSVILLE
CLARKSON
OAKVILLE
BURLINGTON
DUNDAS
ST. CATHARINES
BEAMSVILLE

auditors' report

To the Shareholders of
Silverwood Dairies, Limited

We have examined the consolidated balance sheet of Silverwood Dairies, Limited and its subsidiaries as at March 31, 1970 and the statements of consolidated income, retained earnings and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at March 31, 1970, the results of their operations and the source and application of their funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

London, Canada.
May 14, 1970.

CLARKSON, GORDON & CO.
Chartered Accountants.

statement of consolidated income

Year ended March 31, 1970 (with comparative amounts for 1969)

SILVERWOOD DAIRIES, LIMITED and its subsidiary companies

	1970	1969	Increase or (decrease)
Sales	\$144,678,893	\$125,956,843	\$18,722,050
Less:			
Cost of materials and production expenses	102,069,275	88,118,765	13,950,510
Selling, administrative and general expenses	34,790,050	30,541,115	4,248,935
Depreciation and amortization	2,827,859	2,483,872	343,987
Interest (including interest on short term debt — 1970 - \$119,596; 1969 - \$173,372)	831,476	812,417	19,059
	140,518,660	121,956,169	18,562,491
Income before taxes on income	4,160,233	4,000,674	159,559
Taxes on income:			
Current	1,931,750	2,120,102	(188,352)
Deferred	326,250	54,898	271,352
	2,258,000	2,175,000	83,000
Consolidated net income before minority interest	1,902,233	1,825,674	76,559
Minority interest in income of subsidiary companies (net)	16,934	2,281	14,653
Consolidated net income before extraordinary items	1,885,299	1,823,393	61,906
Add extraordinary items:			
Gain on sale of fixed assets and goodwill (net of deferred taxes — 1970 - (\$41,000); 1969 - \$25,000)	306,282	208,811	97,471
Gain on redemption of debentures	69,926	62,373	7,553
	376,208	271,184	105,024
Consolidated net income for year (see note 2)	\$ 2,261,507	\$ 2,094,577	\$ 166,930
Earnings per Class "A" and "B" shares:			
Before extraordinary items	\$1.40	\$1.36	
After extraordinary items	\$1.68	\$1.56	

Remuneration to directors and senior officers of the company was \$319,317 for 1970 and \$202,775 for 1969.



(See accompanying notes to the consolidated financial statements)

consolidated balance sheet - March 31, 1970

(with comparative amounts at March 31, 1969)

SILVERWOOD DAIRIES, LIMITED (Incorporated under the laws of Ontario) and its subsidiary companies

assets

	1970	1969
Current:		
Cash	\$ 1,325,493	\$ 1,680,449
Short term deposits	100,000	150,000
Marketable securities — at cost (market value 1970 — \$701,100; 1969 — \$721,890)	943,875	944,875
Trade accounts and other receivables (less allowance for doubtful accounts — 1970 — \$549,879; 1969 — \$289,948)	7,324,268	6,016,525
Inventories — at the lower of cost or net realizable value (see note 3)	7,571,695	6,619,413
Prepaid expenses	946,618	862,749
	<u>18,211,949</u>	<u>16,274,011</u>
Fixed — (see note 4):		
Land, buildings, equipment and leasehold improvements — substantially at cost	51,104,084	48,852,415
Less accumulated depreciation and amortization	24,703,059	23,087,362
	<u>26,401,025</u>	<u>25,765,053</u>
Sundry:		
Deferred expenses and other assets	1,272,837	803,030
Goodwill and route lists — at cost (see note 8)	3,575,818	3,301,919
Expenses in connection with debentures issued, less amortization	291,320	308,320
	<u>5,139,975</u>	<u>4,413,269</u>
On behalf of the Board		
 Director	 Director	
	<u>\$49,752,949</u>	<u>\$46,452,333</u>

(See accompanying notes)

liabilities

	1970	1969
Current:		
Due to bankers	\$ 1,242,392	\$ 1,585,333
Accounts payable — milk and cream producers	3,444,138	3,377,572
Other accounts payable and accrued charges	7,089,574	6,314,075
Income taxes payable	1,090,968	1,058,508
Employees' tax deductions and realty taxes payable	552,129	441,952
Dividends payable April 1	268,767	268,767
Principal instalments on debentures and other deferred liabilities due within one year	274,408	124,647
	<u>13,962,376</u>	<u>13,170,854</u>
Debentures payable and other deferred liabilities (see notes 5 and 6)	<u>10,696,847</u>	<u>9,677,792</u>
Deferred income taxes	<u>3,610,250</u>	<u>3,325,000</u>
Minority interest in subsidiary companies	<u>70,180</u>	<u>51,400</u>
Capital:		
Class "A" shares without par value entitled to cumulative, preferential dividends of 60¢ per share per annum, payable quarterly, and after the Class "B" shares have received 60¢ per share in any one year to further participation rateably with Class "B" shares; entitled in liquidation to a priority of \$15 per share —		
Class "B" shares without par value —		
	Class "A"	Class "B"
Authorized	<u>1,000,000 shs.</u>	<u>500,000 shs.</u>
Issued	<u>903,158 shs.</u>	<u>441,212 shs.</u>
	7,341,317	7,341,317
Consolidated retained earnings (see note 6)	<u>14,071,979</u>	<u>12,885,970</u>
	<u>21,413,296</u>	<u>20,227,287</u>
	<u>\$49,752,949</u>	<u>\$46,452,333</u>

consolidated financial statements)

statement of consolidated retained earnings

Year ended March 31, 1970 (with comparative amounts for 1969)

SILVERWOOD DAIRIES, LIMITED and its subsidiary companies

	1970	1969
Balance, beginning of year	\$12,885,970	\$11,823,927
Add:		
Consolidated net income for year (see note 2)	2,261,507	2,094,577
Retained earnings applicable to shares of subsidiary company owned prior to acquisition of controlling interest		42,964
	<u>15,147,477</u>	<u>13,961,468</u>
Deduct:		
Dividends declared on —		
Class "A" — 80¢ per share (1970 and 1969)	722,530	722,530
Class "B" — 80¢ per share (1970 and 1969)	352,968	352,968
	<u>1,075,498</u>	<u>1,075,498</u>
Balance, end of year	<u>\$14,071,979</u>	<u>\$12,885,970</u>

(See accompanying notes to the consolidated financial statements)

statement of consolidated source and application of funds

Year ended March 31, 1970 (with comparative amounts for 1969)

SILVERWOOD DAIRIES, LIMITED and its subsidiary companies

	1970	1969	Increase or (decrease)
Source of funds:			
Operations —			
Consisting of:			
Consolidated net income for year	\$ 2,261,507	\$ 2,094,577	\$ 166,930
Amounts deducted in arriving at the above net income, not an outlay of funds —			
Depreciation and amortization	2,827,859	2,483,872	343,987
Deferred income taxes	285,250	79,898	205,352
	5,374,616	4,658,347	716,269
Proceeds from receipt of 8¾% note payable to bankers	1,000,000		1,000,000
	6,374,616	4,658,347	1,716,269
Application of funds:			
Additions to the companies' plant and equipment (net)	2,681,228	5,847,349	(3,166,121)
Dividends to shareholders	1,075,498	1,075,498	
Provision for retirement of debentures and reduction of other deferred liabilities	588,063	765,973	(177,910)
Increase (decrease) in sundry assets (net)	390,543	(314,531)	705,074
Investment in subsidiary companies (including working capital deficits of subsidiaries at date of acquisition)	492,868	1,864,451	(1,371,583)
	5,228,200	9,238,740	(4,010,540)
Increase (decrease) in consolidated working capital	1,146,416	(4,580,393)	5,726,809
Consolidated working capital, beginning of year	3,103,157	7,683,550	(4,580,393)
Consolidated working capital, end of year	\$ 4,249,573	\$ 3,103,157	\$ 1,146,416

(See accompanying notes to the consolidated financial statements)

notes to the consolidated financial statements *March 31st, 1970*

SILVERWOOD DAIRIES, LIMITED and its subsidiary companies

1. Acquisition of subsidiaries

During the year the company through its subsidiary, Mac's Milk Limited, acquired all of the shares of Good Neighbour Food Stores Limited, Unigro Finance Ltd. and increased the investment in Kwik Shops Limited from 51% to 100%.

2. Principles of consolidation

The accompanying consolidated financial statements include the accounts of all subsidiary companies in which Silverwood Dairies, Limited or its subsidiaries owned an equity interest in excess of 50% at the respective fiscal year ends with appropriate provision for minority interest. Operating results of subsidiaries acquired are included only from the date of acquisition.

The convenience store operations accounted for gross sales of \$43,946,797 for the year ended March 31, 1970.

3. Inventories

This consists of:	1970	1969
Retail stores inventory	\$2,550,547	\$1,995,144
Dairy products	2,122,946	2,327,414
Stores and supplies	2,898,202	2,296,855
	<u>\$7,571,695</u>	<u>\$6,619,413</u>

4. Fixed assets

This consists of:	Estimated useful life	1970	1969
Land		\$ 2,121,165	\$ 2,281,408
Buildings	20-50 years	11,961,797	11,634,771
Machinery and equipment	10 years	16,034,983	15,014,262
Merchandising equipment	12 years	10,651,001	9,637,775
Delivery equipment	7 years	8,839,282	9,261,656
Leasehold improvements	term of lease	1,495,856	1,022,543
		<u>51,104,084</u>	<u>48,852,415</u>
Less accumulated depreciation and amortization		24,703,059	23,087,362
		<u>\$26,401,025</u>	<u>\$25,765,053</u>

5. Debentures payable and other deferred liabilities	1970	1969
6½% (7¼% from January 6, 1970) sinking fund debentures, Series A, due July 5, 1986 (sinking fund payment of \$400,000 per annum)	\$ 8,761,500	\$ 9,113,500
8¾% note payable to bankers due September 19, 1971	1,000,000	
Notes payable	781,725	295,887
Mortgages payable	341,945	300,410
Lease deposits	86,085	92,642
	<u>10,971,255</u>	<u>9,802,439</u>
Less portion due within one year included in current liabilities (net of debentures re- deemed in advance)	274,408	124,647
	<u>\$10,696,847</u>	<u>\$ 9,677,792</u>

Maturities and sinking fund requirements during the next five fiscal years are as follows:

1971 - \$ 274,408
1972 - 1,978,440 (including note payable to bankers of \$1,000,000)
1973 - 519,576
1974 - 487,576
1975 - 439,305

6. Restrictions on payment of dividends

Under the provisions of the Trust Indenture securing the 6½% (7¼% from January 6, 1970) sinking fund debentures, the company cannot declare or pay any dividends (other than stock dividends and dividends at the rate of 60¢ per share per annum on the outstanding Class "A" shares of the company) when:

- consolidated net current assets (as therein defined) of the company and its subsidiaries are less than, or would thereby be reduced to less than \$2,500,000 and
- the consolidated retained earnings of the company and its subsidiaries will not be less than the lesser of 75% of the principal amount of all funded obligations of the company and its subsidiaries or \$7,500,000.

On April 16, 1970 the company obtained the approval of the debenture-holders to amend the 6½% sinking fund debentures Series A. These amendments will provide a greater degree of flexibility to the company in dealing with its subsidiaries in the future.

7. Lease agreements and commitments

Silverwood Dairies, Limited and its subsidiary companies have entered into agreements to lease equipment and properties for various periods up to 1990 at total maximum aggregate net rentals of approximately \$13,000,000. The maximum net rentals which will be charged to consolidated operations in the ordinary course of business during the next five years will amount to approximately \$1,500,000 per annum.

8. Goodwill and route lists

This consists of route lists and excess of purchase price of shares of subsidiary companies over net book value of the underlying assets acquired. During the year ended March 31, 1970 goodwill increased by \$273,899.

9. 1969 amounts

Certain of the 1969 amounts, including sales, have been reclassified in order to conform with the presentation adopted in 1970. Cabinets and other items held for resale of approximately \$140,000 at March 31, 1970 have been reclassified as inventories rather than fixed assets as in prior years.

ten year comparative summary

YEAR ENDED MARCH 31	1970	1969	1968	1967
SALES	\$144,678,893	\$125,956,843	\$99,805,847	\$90,790,724
CONSOLIDATED NET INCOME BEFORE EXTRAORDINARY ITEMS	\$ 1,885,299	\$ 1,823,393	\$ 1,697,382	\$ 1,667,497
CONSOLIDATED NET INCOME FOR YEAR	\$ 2,261,507	\$ 2,094,577	\$ 2,023,326	\$ 1,731,052
CONSOLIDATED NET INCOME FOR EACH CLASS "A" AND "B" SHARE BEFORE EXTRAORDINARY ITEMS	\$ 1.40	\$ 1.36	\$ 1.26	\$ 1.24
CONSOLIDATED NET INCOME FOR EACH CLASS "A" AND "B" SHARE FOR YEAR	\$ 1.68	\$ 1.56	\$ 1.51	\$ 1.29
DIVIDENDS PER CLASS "A" SHARE PER CLASS "B" SHARE	\$ 1,075,498 .80 .80	\$ 1,075,498 .80 .80	\$ 1,075,495 .80 .80	\$ 1,070,570 .80 .80
CONSOLIDATED EARNINGS RE-INVESTED IN THE BUSINESS	\$ 1,186,009	\$ 1,019,079	\$ 947,831	\$ 660,482
PERCENTAGE OF CONSOLIDATED EARNINGS RE-INVESTED IN THE BUSINESS	52.4%	48.7%	46.8%	38.2%
CAPITAL INVESTED LONG TERM DEBT SHAREHOLDERS' EQUITY TOTAL	\$ 10,696,847 21,413,296 \$ 32,110,143	\$ 9,677,792 20,227,287 \$ 29,905,079	\$ 9,923,198 19,165,244 \$29,088,442	\$10,345,957 18,227,609 \$28,573,566
PERCENTAGE OF SHAREHOLDERS' EQUITY TO TOTAL INVESTMENT	66.7%	67.6%	65.9%	63.8%
SHAREHOLDERS' EQUITY PER SHARE	\$ 15.93	\$ 15.05	\$ 14.26	\$ 13.56
CONSOLIDATED WORKING CAPITAL MARCH 31	\$ 4,249,573	\$ 3,103,157	\$ 7,683,550	\$ 7,700,429

1966	1965	1964	1963	1962	1961
\$61,956,835	\$53,512,422	\$51,914,455	\$48,017,229	\$45,642,340	\$43,405,231
\$ 1,535,809	\$ 1,556,958	\$ 1,525,583	\$ 1,342,021	\$ 1,315,097	\$ 1,220,244
\$ 1,559,984	\$ 1,583,590	\$ 1,543,919	\$ 1,400,910	\$ 1,333,628	\$ 1,235,031
\$ 1.16	\$ 1.23	\$ 1.22	\$ 1.09	\$ 1.10	\$ 1.09
\$ 1.18	\$ 1.25	\$ 1.23	\$ 1.14	\$ 1.12	\$ 1.11
\$ 991,413 .77½ .77½	\$ 882,228 .70 .70	\$ 840,326 .67½ .67½	\$ 735,464 .60 .60	\$ 695,704 .60 .60	\$ 666,891 .60 .60
\$ 568,571 36.7%	\$ 701,362 44.3%	\$ 703,593 45.6%	\$ 665,446 47.5%	\$ 637,924 47.8%	\$ 568,140 46%
\$ 2,950,796 17,320,583 \$20,271,379	\$ 1,124,500 15,254,797 \$16,379,297	\$ 1,563,000 14,415,951 \$15,978,951	\$ 1,839,500 13,473,744 \$15,313,244	\$ 2,549,000 12,388,885 \$14,937,885	\$ 2,811,000 10,975,516 \$13,786,516
85.4%	93.1%	90.2%	88%	82.9%	80%
\$ 13.12	\$ 12.07	\$ 11.52	\$ 10.94	\$ 10.37	\$ 9.82
\$ 2,509,365	\$ 4,880,322	\$ 3,993,444	\$ 3,963,821	\$ 3,614,882	\$ 3,218,244

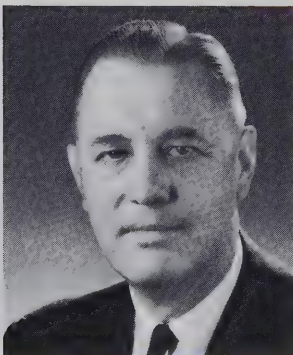
Directors: *as at March 31, 1970*



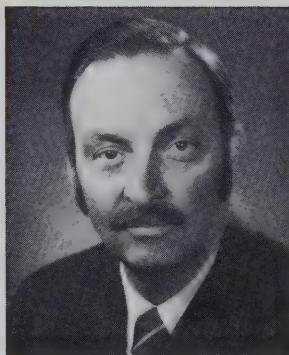
N. E. KAYE
LONDON, ONT.



E. G. SILVERWOOD
LONDON, ONT.

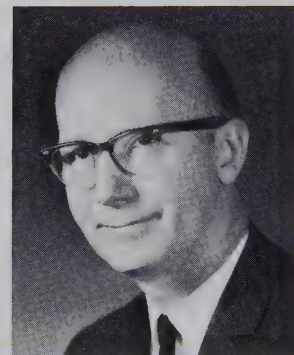


W. I. BARTON
LONDON, ONT.

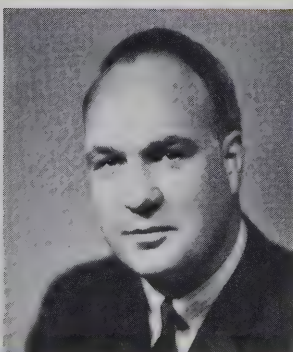


PETER V. V. BETTS, Q.C.
LONDON, ONT.

*



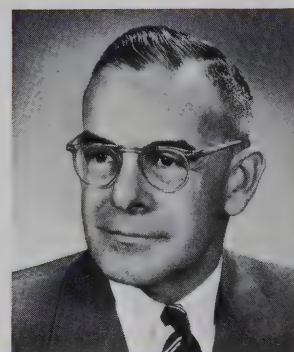
G. M. CARLYLE
CALGARY, ALTA.



E. F. FINDLAY
LONDON, ONT.



J. H. GILLIES
LONDON, ONT.



A. E. LAWRENCE, SR.
LONDON, ONT.

*

OFFICERS:

N. E. Kaye — *Chairman of the Board, President and Chief Executive Officer*

E. G. Silverwood — *Honorary Chairman of the Board*

E. F. Findlay — *Vice President and General Manager*

R. G. Pardy — *Vice President, Finance*

D. G. Silverwood — *Vice President, Corporate Planning*

H. T. Spettigue — *Vice President, Plant Facilities and Technology*

C. L. Tulloch — *Vice President, Market and Product Planning*

W. I. Barton — *Secretary-Treasurer*

F. P. Higgs — *Controller*

C. E. McArthur — *Assistant Secretary*

A. E. Lawrence, Jr. — *Assistant Treasurer*

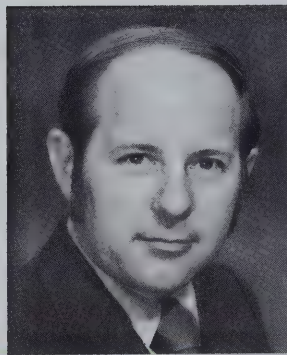
* Peter V. V. Betts, Q.C. — Senior Partner: Robarts, Betts, McLennan & Flinn

A. E. Lawrence, Sr. — Director: Dumoulin, Moore & Duffield Limited

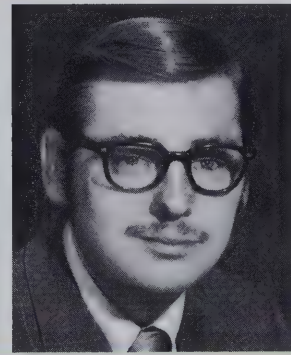
J. Allyn Taylor — Chairman of the Board and President: The Canada Trust Company - Huron & Erie
Director: Canadian General Investments Limited, Canadian Reinsurance
and Reassurance Companies, General Products Manufacturing Corporation Limited,
John Labatt Limited, London Life Insurance Company,
Supertest Petroleum Corporation Limited



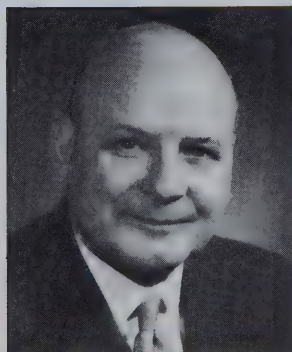
A. E. LAWRENCE, JR.
LONDON, ONT.



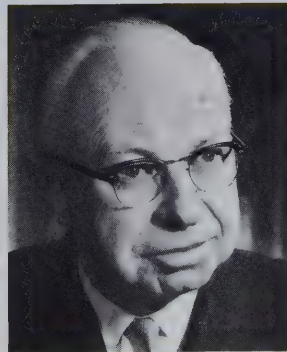
K. C. MCGOWEN
TORONTO, ONT.



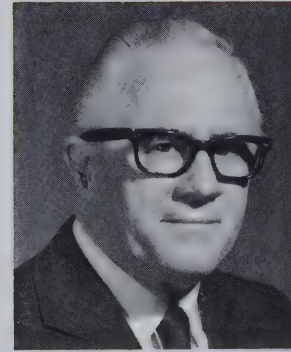
D. G. SILVERWOOD
LONDON, ONT.



H. T. SPETTIGUE
LONDON, ONT.



J. ALLYN TAYLOR
LONDON, ONT.



C. L. TULLOCH
LONDON, ONT.

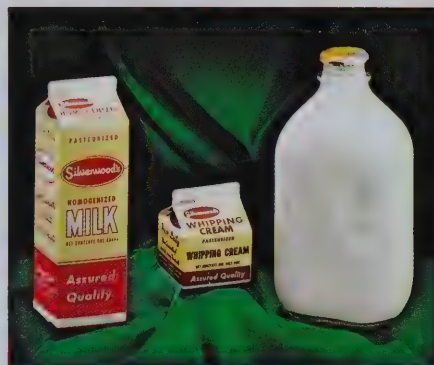
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Silverwood's

DAIRY PRODUCTS





New Packaging



Outstanding cartons were developed to tie in with our Deluxe Ice Cream special flavour promotion.

This campaign highlighted the quality image of our product and was backed by good media advertising.

The results were most gratifying and the campaign will be extended this year.

Home Service

Your company has continued to build and strengthen the Home Services Division by the addition of new products.

Cosmetics such as hair shampoo, hand and body lotion were introduced with excellent results and will continue as part of our regular line.



New 1/2 gallon fruit drink cartons were developed for Lemonade, Orangeade and Fruit Punch. These cartons were in the modern mode, with bright colours and created an "eye catching display" in our dairy cases.

Continuous upgrading and modernization of packaging is underway and will insure the best of consumer attention.

Apart from bread which is sold off the routes at most branches, your Company also sold seasonal items such as "Christmas Cakes," "Hot Cross Buns," "Chocolate Easter Bunnies," "Halloween Candies," and "Christmas Candies."

The sale of these promotional items was excellent.



Flaming Snowballs

"Flaming Snowballs" were a new Silverwood, exclusive ice cream dessert, introduced during the pre-Christmas sales period. The attractive package contained four, coconut covered ice cream "Snowballs," each decorated with a sprig of holly and a candle. They proved to be an immediate sales success, indicating the consumer's acceptance for timely new ice cream specialties.



Aerosol Whips

In the past year, two new aerosol whipped toppings have been added to the Silverwood Dairy product line; "Handi Whip", a non-dairy whipped topping, and "Real Whipped Cream", aerosol topping. These two products have been sold extensively through Silverwood dealers and Mac's Milk stores.

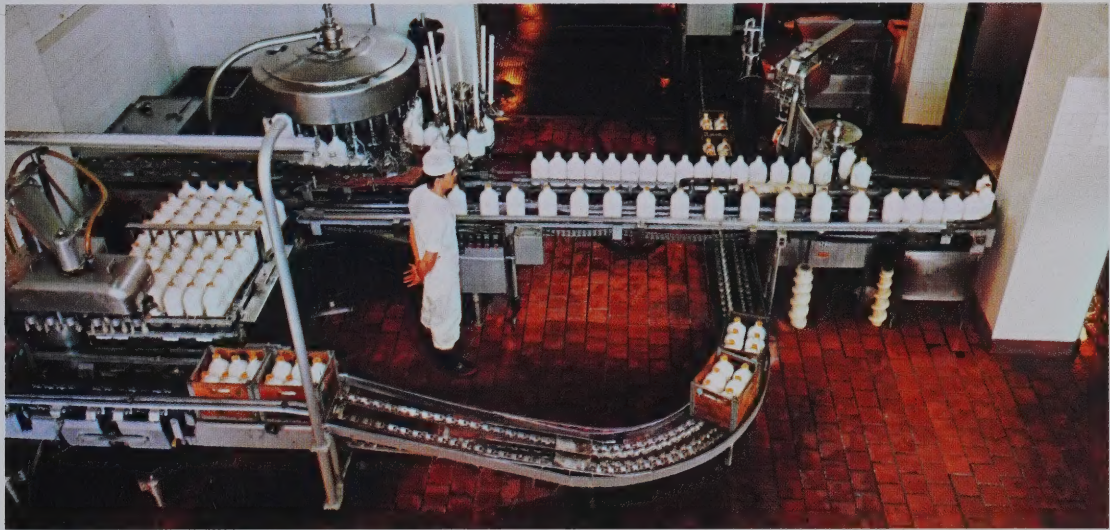


On December 15, 1966, the Company opened and commenced operations in its new, modern ice cream plant, located adjacent to the Macdonald-Cartier Freeway on the outskirts of London, Ontario. This was the initial stage in the building of a large volume, automated ice cream plant for servicing the Company's needs in South-Western and Western Ontario.

As a further major step to finalizing the plant, commonly referred to as the #401 ice cream plant, an addition of approximately 170' x 76' was completed late last year. This addition provided enlarged processing areas and dry storage areas. A new 12-wide Vitaline ice cream bar machine, one of the three largest in Canada was installed, along with a new Polarmatic flat bar machine, which doubled our capacity in the output of that specific type of ice cream novelty.

The enlarged plant accommodates the complete mix manufacturing process which formerly had been handled at our Bathurst Street plant in London. The mix manufacturing process is fully automated in the new plant.

The enlarged dry storage facilities enables all inventories of dry supplies to be handled by a computer as are the inventories and inter-branch shipments of the finished product. This plant is the largest production volume ice cream manufacturing plant in Canada. Further plans are on the drawing board to finalize it to the full capacity that was contemplated when the original concept was formulated.



The western plants of the Dairy Divisions shown on this page also reflect the continuing planning for and implementation of modern dairy processing units. The plant in Calgary, Alberta, which had a large addition completed last year is a well-equipped operating unit. The pictures show the exterior of this plant from the front view and the interior filling and casing unit of the fluid milk operations. The picture of the Victoria, B.C. plant shows the modern "Hollywood Type Storage" completed in recent years, for the most efficient handling of fluid milk products.

